
**Manchester City Council
Report for Resolution**

Report to: Executive – 17 February 2016
Finance Scrutiny – 25 February 2016

Subject: Revenue Budget 2016/17

Report of: The Chief Executive, City Treasurer and City Solicitor

Purpose of the Report

This report proposes a budget for 2016/17 based on the outcome of the Finance Settlement and the issues which need to be taken into account prior to the Council finalising the budget and setting the Council Tax for 2016/17. This report should be read in conjunction with the Strategic Response Report, the reports from Strategic Directors relating to budget proposals for their services, the Housing Revenue Account budget report, the Schools Budget Report, the Capital Programme report and the Treasury Management Strategy; all contained elsewhere on this agenda. The proposals in this budget form part of the consultation process which started on 25 January and will continue until Friday the 19 February. Responses to the full budget consultation will be included on the Agenda for Finance Scrutiny Committee on 25 February.

Recommendations

The Executive is requested to:

- (i) Note the outcome of the final Local Government Finance Settlement.
- (ii) Approve, as set out in this report, the budget proposals for a balanced budget for 2016/17
- (iii) Consider the detailed reports from individual Strategic Directors elsewhere on this agenda (Directorate Reports) and the proposals for service and expenditure changes, in reaching decisions in relation to the final budget for 2016/17.
- (iv) Note the City Treasurer's review of the robustness of the estimates and the adequacy of the reserves
- (v) Make specific recommendations to Council to approve:
 - a. an increase in the basic amount of Council Tax (i.e. the City's element of council tax) by 3.99% (including 2% for adult social care);
 - b. the contingency sum of £2.3m in 2016/17;
 - c. the inflationary pressures and budgets to be allocated sum of £16.596m in 2016/17; and delegate the final allocations to the City

- Treasurer in consultation with the Executive Member for Finance and Human Resources as detailed in the report;
- d. the pressures and growth bids of £11.465m and delegate the final allocations to the City Treasurer in consultation with the Executive Member for Finance and Human Resources as detailed in the report;
 - e. corporate budget requirements to cover the cost of levies / charges of £68.832m, capital financing costs of £51.982m, additional allowances and other pension costs of £10.736m and insurance costs of £2.004m;
 - f. the estimated utilisation in 2016/17 of £6.911m of the surplus from the on street parking and bus lane enforcement reserves after determining that any surplus from these reserves is not required to provide additional off street parking in the authority; and
 - g. the position on reserves as identified in the report and in Appendix 4 subject to the final call on reserves after any changes are required to account for final levies etc.
- (vi) Approve that delegated authority be given to the City Treasurer and Chief Executive to agree the use of the Children and Families Investment Reserve.
 - (vii) Approve that delegated authority be given to the City Treasurer and Chief Executive in consultation with the Executive Member for Finance and Human Resources and the Leader of the Council to draft the recommended budget resolution for budget setting Council in accordance with the legal requirements outlined in this report and to take into account the decisions of the Executive and any final changes and other technical adjustments.
 - (viii) Approve the Prudential Indicators for 2016/17 and the indicative indicators for 2017/18 and 2018/19 as presented in Appendix 3, subject to any final adjustments that may be made arising from the recommendations above and changes to the Capital Programme (reported elsewhere on the agenda).
 - (ix) Note that there is a requirement on the authority to provide an itemised Council tax bill which, on the face of the bill, informs tax payers of that part of any increase in council tax which is being used to fund adult social care; and to provide specific information about the purpose of the council tax increase in the information supplied with demand notices.
 - (x) Note there is a requirement on the City Treasurer to provide information to the Secretary of State for Communities and Local Government demonstrating that an amount equivalent to the additional council tax has been allocated to the funding of adult social care.

Wards Affected: All

| Community Strategy Spine | Summary of the contribution to the strategy |
|---|---|
| Performance of the economy of the region and sub region | This report sets out detailed proposals for the delivery of a balanced budget for 2016/17 |
| Reaching full potential in education and employment | |
| Individual and collective self esteem – mutual respect | |
| Neighbourhoods of Choice | |

Implications for:

- Equal Opportunities Policy – Equality considerations are set out in the report
- Risk Management – The risk management implications are set out in the report
- Legal Considerations – The legal implications are set out in the report

Financial Consequences – Revenue and Capital

The report sets out proposals for a revenue budget for the Council for 2016/17

Elsewhere on the agenda are three Directorate Reports, the Housing Revenue Account Budget Report, the Dedicated Schools Grant Report, the Capital Programme Report, the Treasury Management Strategy and a report proposing a strategy for agreeing the 2016/17 budget. These reports together underpin the detailed financial spend of the Council for the coming year and provide a framework for Revenue and Capital planning for 2016/17.

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Background documents (available for public inspection):

Provisional Local Government Finance Settlement from the Department of Communities and Local Government (CLG) 17 December 2015 (all papers available on the CLG website).

Final Local Government Finance Settlement from CLG 8 February 2016 (all papers available on the CLG website).

Budget 2016/17 + - Executive 4 November 2015

Financial Context of the 2016/17 Budget – Finance Scrutiny 28 January 2016

Section One - Introduction

1. Manchester is an ambitious city with a strong track record of delivery through partnerships and effective strategic leadership, improving the quality of life for the residents and delivering a vision of making Manchester a world class city.
2. However further significant cuts in public spending mean that 2016/17 and subsequent years will continue to be extremely challenging for the Council as an organisation. Now, more than ever, the Council needs to be clear about its strategic objectives and focus on them to guide its decision making processes.
3. The Council's vision of Manchester as a world class city; the inseparable dual aims of sustaining economic growth and translating that growth into better lives for Manchester residents remains unchanged. The ambition for the Council as an organisation must be to find ever more creative ways of driving key priorities for the City, including growth and reform, and giving Manchester people best value for money within the resources that are available.
4. This report concentrates on setting out a draft budget for 2016/17 based on available resources. This is in response to the final finance settlement issued by the Government on 8 February 2016 which set out a level of reduced funding.
5. The structure of the report is as follows:
 - Section 4: Current and updated financial information, incorporating available resources, finance settlement and dividends received.
 - Section 5: Updated savings proposals
 - Section 6: Updated overall financial position
 - Section 7: Updated financial reserves
 - Section 8: Updated workforce issues
 - Section 9: Strength Based Approach and the Voluntary Sector
 - Section 10: Legal issues
 - Section 11: Reasonableness of the estimates
 - Section 12: Robustness of the estimates
 - Section 13: Risks and mitigation
 - Section 14: Budget scrutiny
 - Section 15: Conclusion

Section Two - Background

6. The Finance Settlement sets out the level of central government funding that Local Authorities will receive. It also includes other key issues such as the level that council tax can be increased by before a referendum is required. The key issues are set out below:
 - It has been confirmed that a council tax increase of 4% or above (including 2% for Social Care) for 2016/17 would require a referendum.

- The method for allocating government grant funding has been amended with the Government introducing an element of equalisation by taking account of Council tax receipts when apportioning cuts. There remains a commitment to the phasing out of government grant to be replaced by the 100% retention of local business rates (with an element of national redistribution to reflect the differing levels of funding requirement in different local authorities) by the end of the current Parliament.
 - Indicative allocations for local government Better Care Fund starting in 2017/18 and totalling £1.5bn by 2019/20. £800m will be funded from savings in the New Homes Bonus scheme. The allocation methodology takes account of amounts raised through the 2% council tax increase. The funding will be directly allocated to local authorities to fund social care.
 - The New Homes Bonus 2016/17 allocations have been announced – the scheme will continue indefinitely but with changes. The scheme is funded by a top slice from central government grant that is redistributed on the basis of housing growth. Historically Manchester has always lost out as whilst above average housing growth has been achieved, the high dependency on central government grant has meant that funding received is less than lost through the top slice. A technical consultation paper has been published.
 - The extension of the 100% Small Business Rate Relief scheme.
 - The Spending Power measure used to measure the level of resources a council has overall has been revised and renamed 'Core Spending Power'. Previously this was distorted by the inclusion of the original Better Care Funding (BCF) that is received by the NHS, and the public health grant where there are additional allocations due to further transfers of responsibility. The new measure is seen as a more accurate reflection of the resources available to a local authority.
 - Specific grant funding for the implementation of the Care Act funding and 2015/16 Council Tax freeze grant have been rolled into the overall government grant and the comparative 2015/16 figures adjusted.
7. The settlement also includes an offer of a four year finance settlement if councils have published an efficiency plan. The detail of what is required is not available yet but it is anticipated that this will be fairly light touch.
8. The overall impact of the Financial Settlement is a reduction in government funding to the Council of £29.3m. Of this £27.7m relates to the Core Settlement Funding Assessment (SFA) which is £9.1m lower than anticipated, £1.3m to the reduction in Public Health Grant and £0.3m to a reduction in Education Support Grant.
9. The funding reductions also have to be seen in the context of other public services and the budget constraints they will be facing. Therefore whilst this report focuses on the position for the Council it has to be seen in the wider context of the work with other agencies, particularly around the public service reform agenda.

10. The Strategic Response Report also on the agenda sets out the framework and principles that have guided the Council through this budget process
11. Where necessary proposals are subject to consultation and consideration of Equality Impact Assessments before final decisions are taken.

Consultation

12. The general budget consultation for 2016/17 opened on 25 January and will run for four weeks until 19 February 2016. The consultation is currently underway with individuals and organisations who want to give their views on the budget options. The consultation can be accessed via www.manchester.gov.uk/budget.
13. There is a further consultation exercise being undertaken by the Children and Families Directorate for free travel passes. This consultation also started on 25 January, running for five weeks, until 26 February 2016. Entirely separate from the budget consultations, there is also a consultation on the Resource Allocation methodology for how people are assessed for social care, support and personal budgets; which started on 15 December and will run until 14 February 2016.
14. Full consideration will be given to the Public Sector Equality Duty and in addition, where appropriate, Directorates either have carried out or will be carrying out full and comprehensive Equality Impact Assessments (EIAs) on their budget proposals. The assessments will consider in detail what impact the proposals could have on the protected characteristics of age, disability, gender re-assignment, pregnancy, maternity, race, religion or belief, sex and sexual orientation and action that will be taken to mitigate the risk of disproportionate impacts upon those with protected characteristics.
15. The budget consultation process for 2015/16 generated 673 responses. After the first week, the response rate to date is substantially higher, with 478 responses captured in the first week alone. This is due to the increased digital focus which has resulted in eight times the engagement from social media compared to the same period in the last budget consultation.

Equalities

16. Equality considerations form a key part of the Council's business and budget planning process. The Council recognises the need to ensure that it does not cause detrimental impacts to Manchester's residents, and in particular, those that identify with one or more of the characteristics protected by the Equality Act 2010. Moreover, where possible the Council seeks to improve outcomes for these groups through the proposals within its business and budget plans, as an important means of continuing to further its equality objectives, as an authority recognised as excellent by the Equality Framework for Local Government and ensuring compliance with its responsibilities under Section 149 of the Act, the Public Sector Equality Duty.

17. The Council has considered this duty in the development of its budget proposals and has either completed, or is committed to completing, thorough assessments of the anticipated impacts on protected groups by undertaking robust equality analysis of each proposal, in accordance with the organisation's agreed framework.
18. Each Directorate Delivery Plan provides an overview of how its work supports the Council's equality objectives. These documents demonstrate a strong alignment to the Council's broader strategic approach to advancing equalities in Manchester. The plans also identify where individual proposals may require more detailed consideration from an equality perspective.

Section Three - Budget and Business Planning

19. This report sets out the position for 2016/17 and is supported by three Directorate Reports updating on progress on their budget and business planning priorities for those years. All of these reports have been informed by the Business Planning Process. These plans have been reviewed by the relevant February Scrutiny Committees.

Section Four - Financial Information

20. Previous budget reports have set out the estimated overall financial context and the scale of the savings that the Council needs to achieve. Following the publication of the Finance Settlement for Local Government the revised overall position for 2016/17 can be summarised as follows:

Table One: Financial Position 2015/16 and 2016/17

| | 2015 / 16 £'000 | 2016 / 17 £'000 |
|---|----------------------------|----------------------------|
| Resources Available | | |
| Settlement Funding Assessment | 300,611 | 277,373 |
| Public Health Funding | 48,303 | 43,983 |
| Public Health 0-5 Funding | 5,441 | 10,613 |
| Other non ring fenced Grants | 25,218 | 23,532 |
| Business Rates Section 31 Grants | 5,619 | 6,609 |
| Business Rates Increased / (reduced) Income | 1,654 | (1,559) |
| Council Tax | 122,338 | 131,679 |
| Dividends, Use of Reserves and other Income | 17,827 | 31,337 |
| Total Resources Available | 527,011 | 523,567 |
| Resources Required | | |
| <i>Corporate Costs:</i> | | |
| Levies/Charges | 71,225 | 68,832 |
| Contingency | 1,160 | 2,300 |
| Capital Financing | 51,982 | 51,982 |
| <i>Sub Total Corporate Costs</i> | <i>124,367</i> | <i>123,114</i> |
| <i>Directorate Costs:</i> | | |
| Directorate Budgets | 383,140 | 388,486 |
| Additional Allowances and other pension costs | 10,736 | 10,736 |

| | 2015 / 16 | 2016 / 17 |
|--|------------------|------------------|
| | £'000 | £'000 |
| Insurance Costs | 2,004 | 2,004 |
| Unfunded pressures | 0 | 11,465 |
| Environmental Improvements | 0 | 2,100 |
| Transfer to Reserves | 834 | 0 |
| Inflationary Pressures and budgets to be allocated | 5,930 | 16,596 |
| <i>Total Directorate Costs</i> | <i>402,644</i> | <i>431,387</i> |
| | | |
| Total Resources Required | 527,011 | 554,501 |
| | | |
| Total Shortfall / (Surplus) | 0 | 30,934 |
| 2016/17 Savings approved as part of 2015/16 budget setting process | 0 | (12,205) |
| Revised Shortfall after deducting previously agreed savings | 0 | 18,729 |

21. The budget is based on the following key assumptions:

- Reduced Settlement Funding Assessment (SFA) figures (Revenue Support Grant, Estimated Retained Business Rates income and Business Rates top up) of £23.2m (7.7%) in 2016/17. Note when the restated 2015/16 SFA figure is used this becomes a reduction of £27.7m (9%)
- Decreased income of £1.6m for business rates when compared to the baseline estimated by CLG. This includes the estimated deficit for the business rates element of the Collection Fund from 2015/16 and use of the business rates reserve.
- A 3.99% increase in Council Tax, (consisting of 2% allowed for Adult Social Care and a 1.99% general increase).
- An increase in the Council Tax base in 2016/17 of 3.1%
- Use of additional £7.1m airport dividend to support the revenue budget as per the July 2015 announcement alongside the £13.7m additional interim dividend announced in December 2015.
- Decrease in the Greater Manchester Waste Levy of £1.5m (4.3% reduction) in 2016/17.

Resources Available

Core Spending Power and Settlement Funding Assessment

22. On 8 February 2016 the Final Finance Settlement was published. This sets out the changes in both Core Spending Power, (the government's assessment of the overall impact on the Council's funding as a whole, including the ability to generate council tax locally) and the Settlement Funding Assessment (the government grant that will be received and an assumed amount of business rates that will be retained following their partial localisation). The Settlement Funding Assessment figure showed a reduction of £27.7m (9%) in 2016/17, from the restated 2015/16 figure.

23. The following grants have been rolled into the Settlement Funding Assessment to arrive at the 2015/16 restated figure.
- Council Tax Freeze Grant 2015/16 - Manchester's allocation was £1.546m.
 - Funding for lead local flood authorities, Manchester received £56k in 2015/16
 - Care Act 2014 (excluding social care in prisons which is funded through a separate grant). The national transfer is £307.7m. Manchester's allocation in 2015/16 was £1.811m however a notional element has been included and £2.816m has been built in.
24. Table Two below sets out the breakdown of Settlement Funding Assessment over Revenue Support Grant and Business Rates.

Table Two: Analysis of Settlement Funding Assessment in 2015/16 and 2016/17

| | 2015 / 16 £'000 | 2016 / 17 £'000 | Change (Decrease / Increase) |
|--|--------------------|--------------------|---------------------------------|
| Revenue Support Grant (RSG) | 138,358 | 113,768 | (24,590) |
| Retained Business Rates Income | 154,741 | 156,030 | 1,289 |
| Business Rates Top-up | 7,512 | 7,575 | 63 |
| Total Settlement Funding Assessment | 300,611 | 277,373 | (23,238) |

Public Health

25. In 2015/16 public health funding was reduced by 6.2%, for Manchester this was a reduction of £3.3m. Public Health grant allocations for 2016/17 and indicative allocations for 2017/18 have now been announced. The Chancellor's Autumn Statement confirmed that local authorities funding for public health would be reduced by an average of 3.9% in real terms per annum until 2020. This equates to a reduction in cash terms of 9.6% over the same period. The Autumn Statement also confirmed that a central government grant, ring-fenced for use on public health, would continue for at least two more years.
26. The percentage grant reductions, on an updated national baseline, for the next two years are 2.2% in 2016/17 and a further 2.5% in 2017/18 (with the following two years expected to be 2.6%). For Manchester, the 2016/17 allocation is £54.596m which is in line with assumptions. During 2016 the government plans to consult on options to fund local authorities' public health spending from 100% retained business rates receipts.

Other Government Funding

27. Other government funding is included in the budget in addition to the Settlement Funding Assessment and Public Health grant. This is summarised in the following table:

Table Three: Non Ringfenced Grant Funding in 2015/16 and 2016/17

| | 2015 / 16 £'000 | 2016 / 17 £'000 |
|---|--------------------|--------------------|
| New Homes Bonus | 10,264 | 13,128 |
| New Homes Bonus Adjustment Grant | 521 | 373 |
| Housing Benefit Admin Subsidy | 4,099 | 3,359 |
| Council Tax Support Admin Subsidy | 953 | 953 |
| Education Services Grant | 5,296 | 5,000 |
| Special Educational Needs and Disability Implementation | 336 | 383 |
| Council Tax Freeze Grant | 1,546 | 0 |
| Lead local Flood Authorities | 56 | 0 |
| Council Tax New Burdens Funding | 174 | 174 |
| Care Act Grants | 1,973 | 162 |
| Total Non Ringfenced Grants | 25,218 | 23,532 |
| Business Rates Grants: | | |
| Business rates cap 2015/16 – section 31 | 2,280 | 2,212 |
| Small Business Rates Relief – section 31 | 2,529 | 2,777 |
| Long term empty property relief – section 31 | 30 | 87 |
| Relief to retail properties – section 31 | 780 | 0 |
| Enterprise Zone discounts | 0 | 1,533 |
| Total Business Rates Grants | 5,619 | 6,609 |

New Homes Bonus

28. New Homes Bonus (NHB) is predominately funded from a top slice of RSG (£1.275bn is being held back for the national topslice in 2016/17).
29. The original Government proposals identified that the amounts distributed through the NHB would increase year on year for the first six years, after which it would be paid on a rolling six year programme. The grant is distributed according to Band D equivalent additional homes making it almost impossible for authorities with a low taxbase to recoup their contribution to the topslice. As a result Manchester has lost more funding than it has gained and it has been assumed that the NHB allocated will support the revenue budget.
30. The settlement confirmed NHB will continue indefinitely but with changes subject to consultation. Manchester's allocation for 2016/17 is £13.128m and represents the sixth and final year.
31. In addition authorities will receive a share of the national topslice which will be returned and Manchester's share is confirmed at £373k for 2016/17.

32. From 2017/18 significant reductions are expected reflecting the government's stated intention to move from paying for six years to four and saving at least £800m nationally. The published papers indicate a reduction of c£4.7m for Manchester; however, this is subject to the findings of the technical consultation which closes on 10 March 2016.

Housing Benefit and Council Tax Support Administration Subsidy

33. Confirmation of the Housing Benefit grant has been received from Department of Work and Pensions (DWP) at £3.359m, a reduction of £0.740m from 2015/16. The Council has not yet been notified of the amount of Council Tax Support Administration Subsidy it will receive in 2016/17. It was £0.953m in 2015/16 and has been assumed to continue at the same amount.

Education Services Grant

34. The Education Services Grant (ESG) was established in April 2013 funded from a top slice of RSG and is paid to academies and local authorities on a simple per-pupil basis according to the number of pupils for whom they are responsible. One of the aims of the ESG was to remove the link between the amount spent on education services by individual local authorities and the funding allocations for academies. In 2016/17 the general funding rate has reduced from £87 to £77 per pupil as a first step towards achieving the savings announced in the spending review, the ESG retained duties rate remains the same at £15 per pupil.
35. ESG allocations for 2016/17 were announced in the Settlement and show a receipt of £5m for Manchester (the allocation in 2015/16 was £5.296m). This reduced figure has been built into the budget assumptions.
36. It is expected that the grant will be phased out from 2017/18.

Special Educational Needs and Disability Implementation

37. The Special Education Needs and Disability (SEND) grant of £383k is to fund additional duties placed on councils as a result of the transition to Education, Health and Care (EHC) plans for children with complex SEND.

Council Tax New Burdens

38. The grant totalling £174k has been made under Section 31 of the Local Government Act 2003 to support Local Authorities in relation to costs linked to additional responsibilities for the administration of the localised Council Tax Support Scheme.

Care Act Grants

39. The funding provided for implementation of the Care Act has now been rolled into the Settlement Funding Assessment with the exception of funding for social care in prisons which is met through a separate grant. The allocation for

this element has not yet been notified and is therefore assumed to remain at the 2015/16 level of £162k.

Business Rates Section 31 Grants

40. These Section 31 grants are awarded to offset the reduction in business rates yield due to the changes announced in previous Autumn Statements. These are:
- The increase in business rates which was capped at 2% (rather than RPI) in both 2014/15 and 2015/16.
 - The extension of the doubling of Small Business Rates Relief (SBRR) until 31 March 2017.
 - The relaxation of the Small Business Rates Relief (SBRR) rules to allow businesses in receipt of SBRR taking on an additional property, to retain SBRR on the first property for one year, with effect from 1 April 2014.
41. It is estimated that in 2016/17 that these awards will reduce the Council's Business Rate Income by £5.076m in 2016/17, which will be met from Section 31 grants.

Enterprise Zone Discounts

42. The cost of discounts, awarded to qualifying businesses within the Enterprise Zones, is reimbursed to the Council and is estimated at £1.533m. These relate to the Airport City and new Greater Manchester Life Science Enterprise Zones.

Directorate Grants

43. The table below lists government funding which is included within directorate gross budgets and the following paragraphs provide additional detail on the most significant.

Table Four: Directorate grants in 2015/16 and 2016/17

| | 2015 / 16 £'000 | 2016 / 17 £'000 |
|-----------------------------------|--------------------|--------------------|
| Children and Families: | | |
| Dedicated Schools Grant | 455,070 | 470,976 |
| Independent Living Fund | 1,725 | 2,185 |
| Private Finance Initiative | 3,664 | 3,664 |
| Youth Justice | 1,254 | 1,254 |
| Talk English | 837 | 837 |
| Unaccompanied Asylum | 790 | 790 |
| Local Reform and Community Voices | 359 | 359 |
| Remand | 349 | 349 |
| Asylum Seekers Adult | 2,724 | 2,724 |
| Adult Education Learn and Skills | 9,453 | 9,453 |
| Troubled Families | 2,845 | 2,845 |
| | 479,070 | 495,436 |

| | 2015 / 16 £'000 | 2016 / 17 £'000 |
|---|--------------------|--------------------|
| Growth and Neighbourhoods: | | |
| Street Lighting Private Finance Initiative Grant | 2,917 | 2,917 |
| Crime and Disorder Partnership Grant | 695 | 695 |
| Library Grants Home Office | 213 | 213 |
| Capital Programmes One Public Estate | 50 | 50 |
| Highways Department of Transport Bikeability | 72 | 72 |
| City Policy Green Information Technology Grant | 30 | 30 |
| City Policy European Regional Development Fund Grants | 86 | 86 |
| | 4,063 | 4,063 |
| Corporate Core: | | |
| Housing Benefits Subsidy | 273,397 | 273,397 |
| Discretionary Housing Payments | 2,356 | 2,097 |
| | 275,753 | 275,494 |

Dedicated Schools Grant (DSG)

44. The 2016/17 DSG settlement was announced on 17 December 2015.
45. Manchester's DSG for 2016/17 is £471m before adjustment for Academies. The settlement is £1.3m higher than expected due to:
- an adjustment relating to the inclusion of new academies (£0.5m)
 - additional high needs funding (£0.9m) - this has been calculated on 2-19 year old population projection
 - technical deduction to high needs block (£0.1m)
46. Further details on the DSG are included in the report elsewhere on the agenda.
47. There is a significant future year risk around DSG with the proposed move to a national formula from 2017/18 which sets out to redress imbalances in funding under the current system, exhibited in the fact areas with similar characteristics can receive very different levels of funding. In 2015/16 c£9m of council services are funded through DSG.

Independent Living Fund (ILF)

48. The funding for ILF transferred to the Council, via a Section 31 grant, in July 2015 was and totalled £1.7m. The Council's grant allocation for 2016/17 is £2.185m.

Housing Benefits Subsidy

49. Housing Benefit Subsidy is the grant received from the Department for Works and Pensions and is the government contribution towards the costs of Housing Benefit payments made by the City Council.

Other Resources

Business Rates

50. The figure in table one is the difference between CLG's estimate of Manchester's retained rates (£156.03m) and the Council's estimate, which is £1.559m less after taking account of the estimated 2015/16 deficit brought forward and the use of the business rates reserve. The table below shows the breakdown. The Section 31 grants that are awarded to offset the reduction in business rates yield due to the changes announced in previous Autumn Statements and the cost of Enterprise Zone discounts are shown within the non ringfenced grants funding in Table Three.

Table Five: Total Business Rates increased / (reduced) income

| | 2015 / 16 £'000 | 2016 / 17 £'000 |
|--|--------------------|--------------------|
| Assumed Business Rates within SFA | 154,741 | 156,030 |
| Business Rates Income per NNDR1 | 156,320 | 151,418 |
| Reduced Business Rates Income | 1,579 | (4,612) |
| Deficit Brought Forward | (27,172) | (31) |
| Use of Business Rates Reserve | 27,247 | 3,084 |
| Total Business Rates increased / (reduced) Income | 1,654 | (1,559) |

51. The Council has to complete the annual National Non Domestic Rates return (NNDR1), to estimate the amount of business rates due, by 31 January 2016. This is based on the gross rateable value of the relevant hereditaments and the business rates multiplier. This is then adjusted for reliefs awarded, the costs of collection, the estimated amount of non collection and losses due to appeals. This return also includes an estimate of the business rates outturn position for 2015/16. For the purposes of setting the budget, assumptions have been made on the value of appeals that will be submitted by the end of the financial year and the likely outcome of the appeals based on previous experience.
52. The Council's share of the estimated Business Rates Collection Fund Deficit is £31k as declared on 28 January 2016.

Council Tax

53. Council Tax is basically a tax on property with a personal element in the form of discounts and reductions. Discounts include the 25% discount in respect of dwellings occupied by a single person. Precepts are raised by the Police and Crime Commissioner and the Fire and Rescue Authority for their share. An amount is retained by the Council for its own use.

54. There are three main stages in setting the Council Tax:
- The Council Tax Requirement is calculated – this is the net revenue expenditure including levies / charges but excluding precepts.
 - The basic amount of Council Tax is calculated by dividing the Council Tax Requirement by the Council Tax Base.
 - Setting the Council Tax in the differing bands (A to H)
55. The 2016/17 budget assumes a 3.1% growth in the council tax base and a 95.5% collection rate. This is an increase of 1% from 2015/16 due to improved collection performance. This is estimated to raise a total of £123.756m from a total tax base of Band D equivalent properties (net of non collection).
56. The Council is required to estimate any 2015/16 surplus or deficit on the collection fund relating to council tax by 15 January 2016. This has been estimated at £9.342m of which the Council's share is £7.923m
57. Authorities wishing to set a council tax involving an increase of 4% or over in their council tax between 2015/16 and 2016/17 will require a referendum.
58. It is proposed to increase Council Tax by 2% to provide £2.475m to partially fund a significantly greater requirement for adult social care, and given that the government is now ending council tax freeze grant, a further increase of 1.99% to provide a further £2.463m.

Dividends, Use of Reserves and Other Income

59. In line with the principle agreed as part of the 2015/16 budget setting process additional airport dividend receipts confirmed during 2015/16 are being used to support the revenue budget. A final airport dividend for 2014/15 of £22m, which was £7.090m higher than budgeted for, was announced in July 2015 and an interim airport dividend for 2015/16 of £13.7m was announced in December 2015, both of which have been applied to support the revenue budget in 2016/17.

Total all Resources Available

60. The table below summarises the total resource position for 2015/16 and 2016/17.

Table Six: Total Resources for 2015/16 and 2016/17

| | 2015 / 16 £'000 | 2016 / 17 £'000 |
|--------------------------------------|--------------------|--------------------|
| Resources Available | | |
| Settlement Funding Assessment | 300,611 | 277,373 |
| Public Health Funding | 48,303 | 43,983 |
| Public Health 0-5 Funding | 5,441 | 10,613 |
| Other non ring fenced Grants | 25,218 | 23,532 |
| Business Rates Grants | 5,619 | 6,609 |
| Business Rates Increased / (reduced) | 1,654 | (1,559) |

| | 2015 / 16 £'000 | 2016 / 17 £'000 |
|--|--------------------|--------------------|
| Income | | |
| Council Tax | 122,338 | 131,679 |
| Dividends, Use of Reserves and other Income | 17,827 | 31,337 |
| Total Resources Available | 527,011 | 523,567 |

Calls against Resources

Levies / Charges

61. The Council is responsible for paying a number of levies / charges to other joint bodies, most notably the Greater Manchester Waste Authority and the Greater Manchester Combined Authority Transport Levy.
62. Estimates have been included for levies / charges as follows:

Table Seven: Levies / Charges for 2015/16 and 2016/17

| | 2015 / 16 £'000 | 2016 / 17 £'000 |
|--------------------------------------|--------------------|--------------------|
| GM Combined Authority Transport Levy | 36,972 | 36,039 |
| GM Waste Disposal Authority* | 33,962 | 32,495 |
| Environment Agency | 189 | 196 |
| Probation (Residual Debt) | 22 | 22 |
| Magistrates Court (Residual Debt) | 9 | 9 |
| Port Health Authority | 71 | 71 |
| Total Levies | 71,225 | 68,832 |

* Although included within the table of levies / charges above, the waste levy is administered by Growth and Neighbourhoods and will be included within their published budget. This is to recognise that the actions in the directorate in reducing the levels of waste delivered to the WDA impact on the level of future levies which are tonnage based. It has been included above to give a complete view of the levies / charges paid.

63. The Greater Manchester Combined Authority (GMCA) Transport Levy contributes towards the costs of Transport for Greater Manchester (TfGM) and includes the maintenance of Traffic Signals. To fund the additional cost of the Business Growth Hub and avoid any detrimental impact on the overall contributions from Districts the GMCA has approved a one off reduction to the Transport Levy. The non transport contributions have increased by an equivalent amount and are shown within directorate requirements. Overall the Council's payments to the Combined Authority have increased due to the relative population increase in Manchester compared to Greater Manchester as a whole.
64. The Greater Manchester Waste Disposal Authority (GMWDA) levy is largely calculated on the anticipated level of Manchester's waste disposed of through

the GMWDA, together with equivalent levels proposed by each of the other eight Greater Manchester districts which participate. The 2016/17 estimate is £32.5m, a reduction of £1.5m (4.3%) reflecting the forecast reduced tonnage. The final charge will depend not just on whether Manchester achieves its waste targets but also on how all the other districts perform. This constitutes a risk to the budget and a contingency sum of £1.5m for 2016/17 has been included within the Council's corporate contingency to cover any potential increased charge.

Contingency

65. The contingency is used to hold monies to meet unforeseen costs that may arise during the year. The required contingency amount is currently estimated at £2.3m for 2016/17. The items included are:
- £1.5m to meet any potential increased charges from the GMWDA levy as identified above.
 - £0.2m to support more Council staff to have access to the intranet.
 - £0.6m as an unallocated contingency to meet future unforeseen expenses.

Capital Financing Costs

66. Capital financing costs have been calculated based on the assumptions on unsupported borrowing included within the Capital Programme. Any agreed changes to the capital programme that affect the proposed level of borrowing will have an impact on the estimated Capital Financing Costs. The estimated requirement for 2016/17 is £51.982m.

Additional Allowances for Former Staff and Teachers Pension Costs

67. These relate to the historic pension cost of additional years awarded to former employees in the past. The Council no longer awards added years and has not done for some time. This budget is made up of the additional year's costs for teachers (£5.508m) and non teachers (£5.228m) and will reduce over time.

Insurance Costs

68. These costs of £2.004m relate to the cost of external insurance policies as well as contributions to the insurance fund reserve for self insured risks.

Unfunded Budget Pressures and Growth Items

69. The position in table one includes £11.465m of budget pressures and growth requests for 2016/17. These are listed by directorate below and included in the directorate reports.
70. Children and Families pressures total £5.740m as follows:
- Demographic Funding £1.9m in 2016/17 relating to Learning Disabilities, SEN Transport and Mental Health - activity
 - Emergency Duty Service £380k - pressure

- No recourse to Public Funds £100k - pressure
 - Education and Skills Capacity £430k - growth
 - Remand pressure £300k - activity
 - Leaving Care contract £0.577m - pressure
 - Early Help Hubs £400k - growth
 - Directorate / Back Office £0.570m - pressure
 - I-Base Intelligence staffing costs £83k - pressure
 - Legal Services £200k - pressure
 - Historic Social Care staffing issue £0.8m – pressure
71. Growth and Neighbourhoods have raised the following which include some adjustments relating to 2015/16 pressures, these net to £1.789m
- Costs relating to street lighting estimated at £1m for 2016/17 - pressure
 - £0.900m relating to waste disposal - activity
 - Heaton park support of £350k is due to fall out in 2016/17 however a tapering of £239k is requested leaving a net reduction of £111k - pressure
72. Corporate Core pressures total £3.936m as follows:
- Elections Investment Case £205k - pressure
 - ICT Disaster recovery and delivery of the Information Strategy £2m - activity
 - ICT New Operating model £0.523m - pressure
 - ICT reduced income from HRA £154k - pressure
 - Performance Third Sector £50k - pressure
 - Chief Executives Support Service recharge £142k - pressure
 - Revenue and Benefits Local Welfare Provision £142k - pressure
 - Business units loss of Markets income £100k - activity
 - Human Resources £220k – growth
 - Contract price increases for ICT license costs £400k - pressure

Environmental Improvements

73. There is a need to tackle fly-tipping, pavement and highways repairs, street cleaning and other issues regularly raised by Manchester residents as a priority. It is proposed to allocate an additional £2.1m to these environmental improvements in 2016/17.

Inflationary Pressures, Budgets to be Allocated and Growth Bids

74. The pressures and growth bids are set out below. It is proposed that the approval process for allocation of budget pressures is as outlined below.
- Pressures that can be signed off before the beginning of the Financial Year (Pressures) such as correction of historic issues, unachievable savings and unachievable income targets and new service improvements – it is proposed that decisions on these pressures are delegated to the City Treasurer in consultation with the Executive Member for Finance and Human Resources. The outcomes will be included in the first Global Monitoring report for 2016/17.

- Activity related pressures (Activity) which need to be drawn down once there is evidence that the funding is required such as inflation, or demography for example – the parameters for the use of the funding will be agreed prior to the start of the financial year and reporting back against those parameters will be via the Revenue Gateway Board. The Revenue Gateway Board will provide scrutiny of the arrangements and make recommendations to the City Treasurer and Executive Member for Finance and Human Resources with the relevant Executive member also consulted for the draw down of the funding.
- Pay and pensions (Pay) - It is proposed these are allocated once the various increases have been confirmed (e.g. pay award) based on the budgeted workforce by service at that point. These decisions are proposed to be delegated to the City Treasurer in consultation with the Executive Member for Finance and Human Resources and included in the first Global Monitoring report for 2016/17.
- Growth items (Growth) – these will be allocated on the assessment of individual business cases approved by the relevant Executive Member, Executive Member for Finance and Human Resources and the City Treasurer.

75. The pressures have been categorised accordingly.

76. Budgets are held centrally for known issues where the final cost to the Council is not yet certain or where the breakdown over services has not yet been ascertained. The estimated amount for 2016/17 is £16.596m.

77. These are made up of:

- Price inflation of £2.306m in 2016/17. The amount has been reduced from £4.8m allocated in 2015/16 due to continued low inflation rates. The £2.3m includes £1m remaining from 2015/16 which had not yet been allocated to directorate budgets but is expected to be required. - activity
- Cumulative pay inflation of £2.5m in 2016/17. This is based on an assumed pay award of 1% above SCP 17 and higher increases below that grade - pay
- Manchester Minimum Wage costs are expected to be contained within the allowance for pay award for 2016/17 - pay
- Increased commissioning costs predominately within Children and Families relating to the impact of the increase to minimum wage of £6.2m in 2016/17 - activity
- £1.297m provision in 2015/16 for increasing pension costs to meet a further 0.8% increase in the Employer Contribution rate - pay
- £3.443m relating to the costs of the single state pension and the elimination of the contracting out rebate - pay
- £0.660m to meet the Carbon Reduction Tax - pressure
- £40k annual allocation to the Cemeteries Replacement Reserve - growth
- The removal of £150k for the Discretionary Support Scheme for the Council Tax Support Scheme as this is now accounted for as part of the Collection Fund

Directorate Requirements

78. Further information on the Directorate budgets and how they are used is set out in the directorate reports elsewhere on the agenda, including the proposed savings and further detail on the pressures and growth items. As set out in previous reports some specific proposals are subject to specific consultation and Equality Impact Assessments before they are finally approved and implemented.

Section Five - Savings Proposals

79. As part of the 2015/16 budget setting process £12.205m savings were Identified for 2016/17 from directorate budgets and approved. The 2016/17 process identified a further £13.780m of savings proposals which are detailed in the Directorate Business Plan and Budget reports.

Table Eight: Total of savings proposals across Directorates

| | 2016 / 17 £'000 |
|---------------------------|----------------------------|
| Children and Families | 8,862 |
| Growth and Neighbourhoods | 2,239 |
| Corporate Core | 2,679 |
| Total | 13,780 |

Section Six - Overall Financial Position

80. Appendix 2 shows the proposed directorate cash limits after savings proposals.
81. After taking account of the proposed new savings, cost pressures and additional council tax income the position is a small deficit as below. This will be met from the General Fund Reserve.

Table Nine: Revised Budget Gap

| | 2016 / 17 £'000 |
|--|----------------------------|
| Initial Shortfall | 30,934 |
| 2016/17 Savings approved as part of 2015/16 budget setting process | (12,205) |
| Revised Gap after deducting previously agreed savings | 18,729 |
| Additional council tax revenue from increases | (4,938) |
| Revised Gap after additional Council Tax income | 13,791 |
| Total New Savings Identified | (13,780) |
| Remaining Deficit | 11 |

82. The overall financial position for 2016/17 can therefore be summarised as:

Table Ten: Summary of Resources Available and Budget Requirement for 2016/17

| | 2015 / 16 £'000 | 2016 / 17 £'000 |
|--|--------------------|--------------------|
| Resources Available | | |
| Settlement Funding Assessment | 300,611 | 277,373 |
| Public Health Funding | 48,303 | 43,983 |
| Public Health 0-5 Funding | 5,441 | 10,613 |
| Other non ring fenced Grants | 25,218 | 23,532 |
| Business Rates Section 31 Grants | 5,619 | 6,609 |
| Business Rates Increased/(reduced) Income | 1,654 | (1,559) |
| Council Tax | 122,338 | 136,617 |
| Dividends, Use of Reserves and other Income | 17,827 | 31,348 |
| Total Resources Available | 527,011 | 528,516 |
| Resources Required | | |
| <i>Corporate Costs:</i> | | |
| Levies/Charges | 71,225 | 68,832 |
| Contingency | 1,160 | 2,300 |
| Capital Financing | 51,982 | 51,982 |
| <i>Sub Total Corporate Costs</i> | <i>124,367</i> | <i>123,114</i> |
| <i>Directorate Costs:</i> | | |
| Directorate Budgets | 383,140 | 362,501 |
| Additional Allowances and other pension costs | 10,736 | 10,736 |
| Insurance Costs | 2,004 | 2,004 |
| Unfunded pressures | 0 | 11,465 |
| Environmental Improvements | 0 | 2,100 |
| Transfer to Reserves | 834 | 0 |
| Inflationary Pressures and budgets to be allocated | 5,930 | 16,596 |
| <i>Total Directorate Costs</i> | <i>402,644</i> | <i>405,402</i> |
| | | |
| Total Resources Required | 527,011 | 528,516 |
| Total | 0 | 0 |

Section Seven - Financial Reserves

83. The Council holds a number of reserves, all of which, aside from the General Fund Reserve, have been set aside to meet specific future expenditure or risks. A fundamental review of all the reserves held has been carried out as part of the budget setting process.
84. The reserves include:
- Statutory reserves – such as the Parking Reserve, where the use of these monies is defined in statute
 - PFI Reserves – held to meet costs across the life of the PFI schemes
 - Reserves to offset risk and manage volatility – such as the Insurance Reserve, and reserves to smooth volatility in for example adult social care placements due to winter pressures

- Schools reserves – schools funding which the council cannot utilise
- Reserves held to support capital schemes
- Reserves to support economic growth and public sector reform
- Grants and contributions which fall across more than one year – under accountancy standards these are now held in a reserve

85. The table below shows an analysis of the planned use of reserves in 2016/17 to support revenue expenditure.

Table Eleven: Use of reserves to support the budget

| | 2016 / 17 £'000 |
|--|----------------------------|
| Statutory Reserves: | |
| Bus Lane and Parking reserves | 6,911 |
| Other Statutory Reserves | 211 |
| Balances Held for Private Finance Initiatives: | |
| Street Lighting Private Finance Initiative | 441 |
| Small Specific Reserves | 101 |
| Reserves held to smooth risk / assurance: | |
| Airport Dividend Reserve | 22,787 |
| Other Reserves held to smooth risk / assurance | 3,084 |
| Reserves held to support capital schemes: | |
| Capital Fund | 2,554 |
| Reserves held to support growth and reform: | |
| Clean City Reserve | 6,911 |
| Children and Families Investment Reserve | 7,447 |
| Other Economic Growth and Public Service Reform | 523 |
| Grants and Contributions used to meet commitments over more then one year | 5,372 |
| General Fund | 11 |
| | 56,354 |

86. Further detail on the main proposed use of reserves to support revenue expenditure is set out in more detail in the following paragraphs.

Parking Reserve and Bus Lane Enforcement Reserve

87. There is a statutory requirement to place income generated from on-street parking and bus lane enforcement into separate reserves. These reserves can only be used to fund certain types of transport and highway related expenditure, and provided there is no requirement for the Council to provide additional off street parking, or for financial support to existing off street parking. The expected balance on these reserves at the 1 April 2016 is £5.187m and contributions to the reserves in 2015/16 and 2016/17 are currently estimated at £6.298m in both years.

88. In accordance with the restrictions placed on the use of the reserve, it will be used to fund areas of spend within the Growth and Neighbourhoods Directorate cash limit budget.

Table Twelve: Proposed use and Balances on Reserves assuming proposed use is accepted

| | 2015 / 16 £'000 | 2016 / 17 £'000 |
|---|--------------------|--------------------|
| On Street Parking Enforcement Reserve: | | |
| Estimated Balance on reserve at 1 April | 2,633 | 3,235 |
| Estimated in year surplus | 5,184 | 5,184 |
| Proposed spend on highways/ Environmental works etc | (4,582) | (5,582) |
| Estimated balance at 31 March | 3,235 | 2,837 |
| Bus Lane Enforcement Reserve: | | |
| Estimated Balance on reserve at 1 April | 2,167 | 1,952 |
| Estimated in year surplus | 1,114 | 1,114 |
| Estimated Spend on Metroshuttle | (1,329) | (1,329) |
| Estimated balance at 31 March | 1,952 | 1,737 |

Airport Dividend Reserve

89. The balance of this reserve at 31 March 2016 will be used to support the 2016/17 budget. This includes the following dividends -
- the balance of the interim airport dividend for 2014/15 that was not used to support the 2015/16 budget (£2m),
 - the final dividend relating to 2014/15, announced in July 2015, in excess of that included in the 2015/16 budget (£7.09m) and
 - the interim dividend of £13.7m for 2015/16 announced in December 2015.

Clean City Reserve

90. The Council allocated £14.5m in 2013/14 to set up a 'Clean City' reserve. Due to the one-off nature of this funding it is used to benefit the City in a way that is aligned to the strategic priorities of the Council and does not lead to any commitments for ongoing expenditure. The funding is invested in largely one-off strategic interventions to improve the quality of the environment and which are linked to delivering behaviour change.
91. To date 46 applications that have been agreed with a value of £14.1m of which £2.4m was spent in 2014/15, £5.2m is expected to be spent in 2015/16 and £6.5m is committed for 2016/17. Further projects are under consideration in relation to the balance of funding of £0.4m.

Children and Families Investment Reserve

92. The Children and Families Investment Reserve of £14m was set up in 2015/16 with the aim to support more families into sustainable employment and reduce the numbers of looked after children.
93. Investment of £6.647m in 2015/16 and £7.447m in 2016/17 has been identified to support the priorities described above. The funding will be used to invest in:
- New working arrangements with partners, including the further development of the Multi Agency Safeguarding Hub (MASH) and evidence based interventions to target families with children on the edge of care to reduce the overall number of children coming into care
 - Management and delivery capacity to improve the consistency and quality of social work practice
 - Measures including improving social work practice and fostering and adoption services to safely reduce the number of children and young people in care.
94. Decisions on the use of this reserve are recommended to be delegated to the Chief Executive and City Treasurer.
95. Executive is asked to agree to these proposals, subject to review as part of the outturn process to ensure that the surplus income from parking is sufficient to sustain this level of expenditure. Executive is requested to approve the proposed transfers to and from reserves.

The General Fund Reserve

96. The General Fund Reserve is held to meet costs arising from any unplanned event. It also acts as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to “smooth” expenditure across years.
97. It is currently estimated that the balance on the reserve at 1 April 2016 will be £25m. The level of the un-earmarked General Fund reserve held has been risk assessed by the City Treasurer and is felt to be prudent given the level of volatility in council funding streams, the scale of the savings that needs to be achieved and increasingly for business rates especially appeals. In addition to the savings targets built in to the budget there are also a number of risks as described below:
- Increased volatility – income is now linked to business rates (collection rates, appeals risks, growth to be achieved), council tax (with risks on collection rates, collecting charges from those previously in receipt of benefits) and topslices such as New Homes Bonus where it is not clear what will be returned.
 - Half of the risk of historic business rates appeals now lies with local government – this includes appeals before the new funding system was implemented. Full provision has been made in the budget for the estimated level of risk to the Council.

- Rating agents for some NHS Health Trusts are in the process of applying for business rate relief due to charitable status, with backdated effect. The Council has received one such claim. CLG are aware of these applications and are accessing the legal opinion in the submissions. No provision has been made for this in the Council's budget.
 - Business rates growth will need to be achieved in order to stand still. The safety net will only provide limited protection as the Council will need to lose £10.4m to trigger access to it
98. The expected level of the General Reserve is therefore seen as the minimum level required to be held to protect the Council from the financial risks inherent within the proposed budget strategy. Any variation in spend at the year's outturn, over and above any carry forward, will also affect the level of General Fund Reserve available next year.
99. The City Treasurer feels it would be prudent in light of the level of risk being faced by the Council going forward that the reserve should be maintained at this level.

Section Eight - Workforce Issues

100. The Council has seen a workforce reduction of circa 3,900 FTE (40%) in support of the budget reductions required to be delivered by the Council since 2010/11.
101. The 2016/17 budget will necessitate a small number of further workforce reductions, of approximately 45 posts in addition to the 47 agreed for 2016/17 as part of the 2015/16 budget process. This position should be seen in the context of a number of areas of investment which will provide enhanced capacity (circa. 45 FTE) to support organisational priorities.
102. Where required, workforce reductions will be delivered through existing processes with staff who do not secure roles within new service models supported in accordance with the principles of *m people*. This will include access to the Council's established business as usual Voluntary Early Retirement / Voluntary Severance offer.
103. The Council needs to consider all possible options open to it to ensure that the necessary reduction in posts can be made to achieve the budget savings required. The Council still aims to avoid compulsory redundancies, however, in the extremely unlikely event that all other options do not offer or cannot deliver the required savings the Council will be forced to reconsider its position, including in relation to compulsory redundancies, in order to ensure that it will have a balanced budget and robust medium term financial strategy.
104. Whilst the volume of workforce reductions required is low, compared to previous budgets, the scale of the challenge posed to the workforce by this budget remains significant. There will need to be a fundamental shift in workforce behaviours and skills in order to deliver the proposals set out as well as requirement to focus on enhancing staff motivation and engagement. This will include a totally different way of working across the core elements of the

Children's and Families Directorate which will need to be underpinned by a cross cutting programme of workforce reform and move to a strengths based model of working with residents. Elsewhere leadership and core skills around the management of place and collaboration will remain areas of focus. There will also need to be a renewed emphasis on technical skills across functions such as capital programmes and ICT, as well as a new programme of work to support people management capacity and capability across the organisation.

105. Beyond this budget period the scale of workforce change will continue and it is essential that the focus in the coming year is, not only on delivering the required changes, but also on laying the foundations for the future. This will require significant focus and capacity to support effective strategic workforce planning.
106. It is important that future planning is set in the context of the continuing pressures facing the Council in relation to pay, which are impacted by both the organisation's ongoing commitment to the Manchester Minimum Wage and the need to review wages across a number of specialist and technical areas to take account of the improving external market.
107. A new People Strategy will be agreed by April 2016 which will provide the strategic framework to support the workforce to change and develop to meet the demands of the future and assure the delivery of both the organisation's priorities and the delivery of the required budget savings across the next four years.

Section Nine - Strengths-Based Approach and the Voluntary Sector

108. Within the past two years considerable work has been carried out with the third sector to ensure that it remains a significant partner in working with the City to deliver Manchester's priorities, and that there is greater transparency and accountability in the services delivered.
109. Some of the proposals being put forward as part of the budget process will provide opportunities for the Third Sector; other proposals may see a reduction in requirements for services, either through decommissioning or re-tendering of services or through a realignment of priorities. Where required and specified by Directorates such proposals have been subject to consultation. Due regard will be paid to the Council's equality duties.
110. The impact on the Third Sector has been co-ordinated and monitored through a Council wide officer group to ensure that the proposals are reviewed corporately and any cumulative impact considered.
111. In line with the draft Manchester Strategy many of the budget proposals are based on a different relationship between public services and the city, unlocking the power and potential of residents, communities and businesses. The Council and its partners are developing a new plan for what this means in practice drawing on learning from other authorities as well as Manchester's

own programmes like Age Friendly Manchester, its Behaviour Change programme and the Activation Strategy.

112. This new relationship will include a number of different elements – having different conversations that build on people's strengths and assets, developing new approaches for how public services engage and empower local communities, encouraging new behaviours and attitudes among all partners in the city and improving the social and physical connectivity of the city, including re-purposing council-owned properties for communities, to name a few. It will be underpinned by a set of common principles, supporting a new strengths-based approach to people and place based services.
113. The individual budget proposals contain further detail on how this approach will be applied to particular areas. These will form part of a single, overall approach which is being developed with the Manchester Leaders Forum, wider partners and communities to help drive forward the work and ensure proposals are coordinated. This will include core themes around investment and funding, development of community links, workforce development and changing the basis of assessment and referral processes.

Section Ten - Legal Issues

114. In coming to decisions in relation to the revenue budget and Council Tax the Council has various legal and fiduciary duties. The Council is required by the Local Government Finance Act 1992 to make specific estimates of gross revenue expenditure and anticipated income leading to the calculation of the council tax requirement and the setting of the overall budget and Council Tax. The amount of the council tax requirement must be sufficient to meet the Council's legal and financial commitments, ensure the proper discharge of its statutory duties and lead to a balanced budget.
115. In exercising its fiduciary duty the Council should be satisfied that the proposals put forward are a prudent use of the Authority's resources in both the short and long term; that the proposals strike a fair balance between the interests of Council Tax payers and ratepayers on the one hand and the community's interests in adequate and efficient services on the other; and that they are acting in good faith for the benefit of the community whilst complying with all statutory duties. Officers have addressed the duty to strike a fair balance between different elements of the community and the interests of Council Tax and Business Rate payers in developing the proposals which are set out in the Directorate reports.

Duties of the City Treasurer

116. The Local Government Finance Act 2003 requires the Chief Finance Officer to report to the authority on the robustness of the estimates made for the purposes of the calculations and the adequacy of the proposed financial reserves. The Council has a statutory duty to have regard to the CFO's report when making decisions about the calculations. The City Treasurer's report in

relation to the reasonableness of the estimates and adequacy of the reserves is set out in paragraphs 99 to 102 of this report.

117. Section 28 of the Local Government Act 2003 imposes a statutory duty on the Council to monitor during the financial year its expenditure and income against the budget calculations. If the monitoring establishes that the budgetary situation has deteriorated, the Council must take such action as it considers necessary to deal with the situation. This might include, for instance, action to reduce spending in the rest of the year, or to increase income, or to finance the shortfall from reserves.
118. Under Section 114 of the Local Government Finance Act 1988, where it appears to the Chief Finance Officer that the expenditure of the authority incurred (including expenditure it proposes to incur) in a financial year is likely to exceed the resources (including sums borrowed) available to it to meet that expenditure, the Chief Finance Officer has a duty to make a report to the Council.
119. The report must be sent to the Council's External Auditor and every member of the Council and the Council must consider the report within 21 days at a meeting where it must decide whether it agrees or disagrees with the views contained in the report and what action (if any) it proposes to take in consequence of it. In the intervening period between the sending of the report and the meeting which considers it, the authority is prohibited from entering into any new agreement which may involve the incurring of expenditure (at any time) by the authority, except in certain limited circumstances where expenditure can be authorised by the Chief Finance Officer. Failure to take appropriate action in response to such a report may lead to the intervention of the Council's Auditor.
120. In relation to the Spending Review announcement that Local Authorities responsible for adult social care will be given an additional 2% flexibility on their current council tax referendum threshold, the Section 151 officer (the City Treasurer) in Adult Social Care Authorities is required to provide information relating to the additional council tax that has been allocated to adult social care. The Council is required to provide a response to the Secretary of State no later than seven days after the authority has set its budgets and council tax for 2016/17 to certify
 - whether the authority is increasing its council tax above the 2% threshold and therefore using the additional flexibility for adult social care and if so
 - what percentage is it increasing its council tax by for adult social care
 - the cash amount that this will raise; and
 - what the authority's adult social care budget would have been before and after the flexibility is included
121. In addition the amounts must be included in the Revenue Account returns sent to CLG in April / May 2016 and the Revenue Outturn forms which will be submitted to CLG in May 2017.

Other Statutory Duties

122. In considering the budget for 2016/17 the Council must also consider its ongoing duties under the Equality Act (as set out in paragraphs 16 to 18) to have due regard to the need to eliminate discrimination and advance equality of opportunity between all irrespective of whether they fall into a protected category such as race, gender, religion, etc.
123. Having due regard to these duties does not mean that the Council has an absolute obligation to eliminate discrimination but that it must consider how its decisions will contribute towards meeting the duties in the light of all other relevant circumstances such as economic and practical considerations.
124. In determining the final set of proposals for 2016/17 officers have had regard to the equality duty and, as set out in the Directorate Reports detailed equality impact assessments will be identified and completed where required by each directorate prior to final decisions being made.

Section Eleven – Reasonableness of the Estimates

125. Finally the Council has a duty to act reasonably taking into account all relevant considerations and not considering anything which is irrelevant. This Report together with the other budget related reports on the agenda set out a total picture of the proposals from which members can consider the risks and the arrangements for mitigation set out below.

Section Twelve - Robustness of the Estimates

126. The City Treasurer has examined the major assumptions used within the budget calculations and has carried out sensitivity analysis to ascertain the levels of potential risk in the assumptions being used. The Council has a well developed corporate risk register and a financial risk register that is reviewed monthly throughout the year. Each Service Head has carried out an individual risk assessment of their budgets which have been reviewed by the Corporate Support Team at an earlier stage of the business planning process. The savings proposals have been subject to planning and verification. The savings represent a risk and not only assume the planned reduction in the workforce will be achieved in a timely manner but also the service reductions will be implemented with sufficient pace. The achievement of these savings will be monitored by Strategic Management Team throughout the coming year.
127. It is the opinion of the City Treasurer that any significant budget risks to the General Fund and the Housing Revenue Account have been identified and that suitable proposals are being put in place to mitigate against these risks where possible. The Council's Budget Monitoring procedures are now well embedded and are designed to specifically monitor high level risks and volatile budgets.
128. An assessment of anticipated business rates income has been carried out based on the information available and provision has been made for

outstanding appeals. There is a risk that there is an increase in successful appeals and this provision is insufficient.

129. The City Treasurer considers that the assumptions on which the budget have been proposed whilst challenging are manageable within the flexibility allowed by the General Fund balance. This and the fact that the Council holds other reserves that can be called on if necessary means that the Treasurer is confident that overall the budget position of the Council can be sustained within the overall level of resources available. However to the degree that the budget savings are not achieved in a timely manner and reserves are called on to achieve a balanced position, further savings will need to be identified and implemented in order to ensure the Council's future financial stability is maintained.

Section Thirteen - Risks and Mitigation

130. As outlined above, all savings proposals have been risk rated and each Directorate will maintain their own monitoring arrangements alongside the corporate assurance process. The detailed savings tracker is sent to Strategic Management Team Business Planning and Transformation on a monthly basis and reported to Executive Members.
131. The Council needs to be satisfied that it can continue to meet its statutory duties and meet the needs of vulnerable young people and adults. Proposals have been drawn up on the basis that Strategic Directors are satisfied that this will enable them to continue to meet their statutory duties and the needs of the most vulnerable.

Section Fourteen - Budget Scrutiny

132. Overview and Scrutiny committees have considered the Budget Proposals and their delivery. Finance Scrutiny Committee will look at the overall budget proposals, receive comments from other scrutiny committees and consider responses to the budget consultation.

Section Fifteen - Conclusion

133. This report and the accompanying Strategic Response report elsewhere on the agenda detail proposals to respond to the Local Government Settlement and to the requirement to produce a definitive budget to be approved at the City Council meeting on the 4 March 2016. There is no doubt that the level of service changes which are proposed will pose significant challenges for the Council. Officers have satisfied themselves with the robustness of the planned service changes and their broad deliverability.
134. Whilst the position is a small deficit for 2016/17 to be met from the General Fund Reserve, the financial gap increases considerably in 2017/18. This does not take into account the significant risks around the changes to Dedicated Schools Grant, Education Services Grant and the New Homes Bonus

Scheme. The confirmation of the public health and some of the Department of Health social care grants is also still awaited.

135. Detailed recommendations appear at the front of this Report.

APPENDIX 1

LEGAL BACKGROUND TO SETTING THE REVENUE BUDGET AND COUNCIL TAX

1. INTRODUCTION

1.1 The Council Tax is basically a tax on property with a personal element in the form of discounts and reductions. Discounts include the 25% discount in respect of dwellings occupied by a single person. Reductions include reductions in pursuance of the Council's council tax reduction scheme made under the Local Government Finance Act 2012 which has replaced council tax benefit.

1.2 All dwellings are listed in one of eight valuation bands and the amount of Council Tax payable in respect of each dwelling (before discounts and other reductions) is in a set proportion between each band. The Headline Tax is calculated for Band D and the tax in the remaining bands is worked out as a proportion of this amount. The lowest Band (A) is two-thirds of Band D and the highest Band (H) is twice Band D and three-times Band A. The proportions are as follows:-

| | | | | | | | |
|----|----|----|----|-----|-----|-----|-----|
| A: | B: | C: | D: | E: | F: | G: | H: |
| 6: | 7: | 8: | 9: | 11: | 13: | 15: | 18: |

1.3 There are three main stages in setting the Council Tax:-

STAGE 1 - The Council calculates its own **council tax requirement**, (i.e. its net revenue expenditure), including levies issued to it but not precepts.

STAGE 2 - The Council then calculates its **basic amount of council tax** which is the Manchester City Council (MCC) element of the council tax for Band D and which takes account of council tax requirement and the council tax base calculated at an earlier stage and after that the MCC element of the remaining bands.

STAGE 3 - Finally, the Council sets the council tax for the area in bands, being the aggregate of the MCC element of the tax and the element of the tax precepted by the Police and Crime Commissioner and the Fire and Rescue Authority.

2. STAGE 1 - THE COUNCIL TAX REQUIREMENT

- 2.1 Members should note that the Localism Act 2011 amended the Local Government Finance Act 1992 ("LGFA 2011") to introduce a duty to calculate a "council tax requirement".
- 2.2 Section 31A of the LGFA 1992 requires the Council to make three calculations, in effect -
- (i) an estimate of the Council's gross revenue expenditure - Section 31A(2);
 - (ii) an estimate of anticipated income - Section 31A(3)
 - (iii) a calculation of the difference between (i) and (ii) above, (i.e. net revenue expenditure) - Section 31A(4) – this is known as the **council tax requirement**.
- 2.3 More specifically, in its Section 31A(2) calculation of gross expenditure the Council should include -
- (a) estimated revenue account expenditure to be incurred during the year;
 - (b) an appropriate allowance for contingencies (i.e. an allowance for unforeseen events);
 - (c) any raising of reserves for future years (e.g. payments into special funds);
 - (d) any estimated revenue account deficit for previous years not already provided for;
 - (da) any amount estimated to be transferred from the general fund to the collection fund in accordance with regulations in respect of business rates.
 - (e) any amount estimated to be transferred from the general fund to the collection fund on account of the Council's share of any collection fund deficit
 - (f) an estimate of certain amounts to be transferred to the collection fund pursuant to a direction of the Secretary of State (e.g. any estimated shortfall in collection of NNDR in excess of allowance for non-collection).
- 2.4 The Section 31A(3) calculation is the aggregate of the sums to be set off against gross expenditure, namely -
- (a) estimated income from fees, charges, specific grants, and revenue support grant (RSG).

- (aa) any amount estimated to be transferred from the collection fund to the general fund in accordance with regulations in respect of business rates
 - (b) any amount estimated to be transferred from the collection fund to the general fund on account of the Council's share of any collection fund surplus
 - (c) an estimate of certain transfers from the collection fund to the general fund e.g. allowance for costs of collecting business rates;
 - (d) any amount of reserves/balances intended to be used towards meeting revenue expenditure.
- 2.5 Section 31A(4) then requires the calculation under Section 31A(3) to be subtracted from that under Section 31A(2) to produce a calculation of estimated net expenditure known as the **council tax requirement**.
- 2.6 These calculations must be made before 11 March, although they are not invalid merely because they are made on or after that date. However, until the calculations are made any purported setting of the Council Tax will be treated as null and void.
- 2.7 It should be noted that the general fund has to stand the cost of any temporary lending to the collection fund to cover late payments/non-collection.
- 2.8 It should be noted that significant amounts of expenditure are financed through government grants (such as Revenue Support Grant (RSG) and the Dedicated Schools Grant for schools budget related expenditure) and not directly through council tax. Such expenditure will be calculated under Section 31A(2)(a) and will be offset by the specific grants which will be included in the calculation under Section 31A(3)(a).
- 2.9 It should be noted that the Local Government Finance Act 2012 enables the Council to retain around half of Manchester's business rates income, rather than this being paid into a central government pool and redistributed. This will involve a separate calculation under Section 31A (3) (aa)
3. **THE LEVEL OF THE COUNCIL TAX REQUIREMENT**
- 3.1 The level of the Section 31A calculations, and in particular the calculation of the Council Tax requirement is of crucial importance both legally and financially. In particular -
- the amount of the council tax requirement must be sufficient to meet the Council's legal and financial commitments and ensure the proper discharge of its statutory duties.
 - the amount of the council tax requirement must ensure a balanced budget

- the amount of the council tax requirement must leave the Council with adequate financial reserves.
- the level of the council tax requirement must not be unreasonable having regard to the Council's fiduciary duty to its Council Tax payers and ratepayers.
- the amount of the council tax requirement will be relevant to the question of whether or not the Council is required to hold a council tax referendum (see paragraph 5)

3.2 The level of the council tax requirement, together with the council tax base (see paragraph 4.3) will determine the Council's basic amount of council tax.

4. **STAGE 2 - THE COUNCIL'S BASIC AMOUNT OF COUNCIL TAX**

4.1 Having calculated its council tax requirement, the Council is then required under Section 31B, LGFA 1992 to calculate its **basic amount of council tax**. This is the MCC element of Band D Council Tax. Then, under Section 36, it must calculate the MCC element of all the bands as a proportion of the Band D calculation.

4.2 **Section 31B Calculation**

The MCC Element of the Band D Council Tax is known as the basic amount of council tax. This is calculated by applying the following formula -

$$\frac{R}{T}$$

where -

R is the council tax requirement, and

T is the council tax base.

4.3 **Council Tax Base**

The council tax base is basically the Band D - equivalent number of properties in the City adjusted to take account of discounts premiums and reductions and multiplied by the estimated collection rate. The City Treasurer (in consultation with the Executive Member for Finance and Human Resources) acting under delegated powers has calculated the council tax base for 2016/17 to be 105,570. It should be noted that the basis of calculations has changed as a result of localisation of council tax support and that the effect of the authority's council tax reduction scheme operates to reduce council tax base.

4.4 **Section 36 Calculation**

Having calculated the basic amount of council tax (i.e. the MCC element of the Band D tax) the Council is then required to convert it into a MCC element for all Bands by multiplying it by the formula N/D where -

N is the proportion for the band as set out below and D is 9.

4.5 The proportions for each band are as follows:-

| | | | | | | | |
|----|----|----|----|-----|-----|-----|----|
| A: | B: | C: | D: | E: | F: | G | H: |
| 6: | 7: | 8: | 9: | 11: | 13: | 15: | 18 |

5. COUNCIL TAX REFERENDUMS

5.1 The Localism Act 2011 (“LA 2011”) abolished council tax capping and replaced it with a requirement to hold a council tax referendum if an authority increases its council tax by an amount exceeding a level set out in principles determined by the Secretary of State and approved by the House of Commons. The new requirement appears in Chapter 4ZA of Part 1 of the LGFA 1992 which was inserted by Schedule 5 of the LA 2011.

5.2 The provisions require the Council to determine whether its “basic amount of council tax” for a financial year is excessive. This question must be decided on accordance with a set of principles determined by the Secretary of State. The Secretary of State had indicated the principles he was minded to set. In relation to all principal authorities, such as Manchester, an increase of more than 4% (including 2% for adult social care) is deemed “excessive” in 2016/17.

5.3 All figures are based on an increase in an authority’s “**basic amount of council tax**” between 2015/16 and 2016/17. The definition of “basic amount” is set out in Section 52ZX, LGFA 1992.

5.4 The legislation places the onus on each authority to determine whether its basic amount of council tax is excessive by reference to the Secretary of State’s principles. Where a precepting authority has determined that its increase is excessive, it must arrange for a referendum to be held. Where a precepting authority (e.g. a Police and Crime Commissioner or Fire and Rescue Authority) has determined its increase is excessive, it must notify the billing authority to which it precepts. The billing authority or authorities will then be required to make arrangements to hold a referendum in relation to the precepting authority’s increase.

5.5 If an authority determines that it has set an excessive increase, it must also make “substitute calculations” to produce a basic amount of council tax which does not exceed the principles. The substitute calculations would automatically take effect in the event that the voters reject the authority’s increase in a referendum. The costs of this referendum are the responsibility of the authority which triggered it.

6. STAGE 3 - SETTING THE COUNCIL TAX

6.1 The final part of the process is for the Council as billing authority to set the overall Council Tax for each band. Whereas the billing authorities and major precepting authorities **calculate** their own council tax requirements, their own basic amounts of council tax and amounts for each band, the **setting** of the Council Tax is solely the responsibility of the City Council as billing authority.

- 6.2 Section 30 of the 1992 Act provides that the amounts set for each band will be the aggregate of the City element for each band calculated under Section 36 and the amount calculated for each band by each of the major precepting authorities.
- 6.3 The council tax must be set before 11 March (i.e. no later than 10 March), although it is not invalid merely because it is set on or after that date.
- 6.4 The council tax cannot be set before 1 March unless all precepting authorities have issued their precepts; nor can it be set before the Council has made the other required calculations. Otherwise, any purported setting of the tax will be treated as not having occurred.
- 6.5 The Council has a clear legal duty to set a council tax and a resolution not to set a council tax would be unlawful, being in breach of Section 30, LGFA 1992. So would be a resolution to set a council tax which deliberately did not balance the various calculations.
- 6.6 A draft resolution for setting the Council Tax is set out in the attached Annex A. A template for calculating the council tax requirement and basic amount of council tax is attached at Annex B.

7. CONSTITUTIONAL ARRANGEMENTS

- 7.1 Members should note that under the Council's constitutional arrangements, the functions of calculating the council tax requirement and the basic amount of council tax and the function of setting the council tax are the responsibility of the full Council. The function of preparing estimates and calculations for submission to Council is the responsibility of the Executive.
- 7.2 The Council's Constitution provides a procedure for the resolution of any conflict between the Executive and the Council which gives effect to the Local Authorities (Standing Orders) (England) Regulations 2001. However, this only applies where the estimates and calculations are prepared by the Executive before 8 February. That will not happen this year and any conflict can be resolved through the scrutiny process. The Budget and Policy Framework Rules provide that where the Finance Scrutiny Committee has any objection to the estimates and calculations prepared by the Executive, it will report such objections to the Council, the Leader and the Executive Member for Finance and Human Resources. The Leader and/or the Executive Member will report to the Council whether they agree or disagree with any objection of the Scrutiny Committee.

8. RESTRICTIONS ON VOTING

- 8.1 Members should be aware of the provisions of Section 106 of the Local Government Finance Act 1992, which applies to members where -

- (a) they are present at a meeting of the Council, the Executive or a Committee and at the time of the meeting an amount of council tax is payable by them and has remained unpaid for at least two months, and
 - (b) any budget or council tax calculation, or recommendation or decision which might affect the making of any such calculation, is the subject of consideration at the meeting.
- 8.2 In these circumstances, any such members shall at the meeting and as soon practicable after its commencement disclose the fact that Section 106 applies to them and shall not vote on any question concerning the matter in 8.1 (b) above. It should be noted that such members are not debarred from speaking on these matters.
- 8.3 Failure to comply with these requirements constitutes a criminal offence, unless any such members can prove they did not know that Section 106 applied to them at the time of the meeting or that the matter in question was the subject of consideration at the meeting.

ANNEX A

COUNCIL TAX
DRAFT RESOLUTION
SETTING THE AMOUNT OF COUNCIL TAX FOR THE COUNCIL'S AREA

RESOLVED

1. That the estimates prepared by the Executive at its meeting on 17 February 2016 be [approved/amended as follows]
2. That it be noted that the City Treasurer acting under delegated powers has determined the amount of 105,570 as the Council Tax base for Manchester for the year [2016/2017] in accordance with Section 31A(3) of the Local Government Finance Act 1992 and regulations 3 to 5 of the Local Authorities (Calculation of Council Tax Base) (England) Regulations 2012.
3. That the following amounts be now calculated by the Council for the year [2016/2017] in accordance with Sections 31A to 36 of the Local Government Finance Act 1992:-
 - (a) £ being the aggregate of the amounts which the Council estimates for the items set out in the Section 31A(2)(a) to (f) of the Act.
 - (b) £ being the aggregate of the amounts which the Council estimates for the items set out in Section 31A(3)(a) to (d) of the Act.
 - (c) £ being the amount by which the aggregate at 3(a) above exceeds the aggregate at 3(b) above, calculated by the Council, in accordance with Sections 31A(4) of the Act, as its council tax requirement for the year.
 - (d) £ being the amount at 3(c) above divided by the amount at 2 above, calculated by the Council in accordance with Section 31B(1) of the Act, as the basic amount of its council tax for the year.
 - (e) Valuation Bands

A B C D E F G H

being the amount given multiplying the amount at 3(d) above by the number which, in the proportion set out in Section 5(1) of the Act, is applicable to dwellings listed in a particular valuation band divided by the number which in that proportion is applicable to dwellings listed in valuation band D, calculated by the Council, in accordance with Section 36(1) of the Act, as the

amounts to be taken into account for the year in respect of categories of dwellings listed in different valuation bands.

4. The above valuation bands include an additional 2% to fund adult social care.
5. That it be noted that for the year [2016/17] the major precepting authorities have stated the following amounts in precepts issued to the Council, in accordance with Section 40 of the Local Government Finance Act 1992, for each of the categories of dwellings shown below:-

Precepting Valuation bands

| | A | B | C | D | E | F | G | H |
|-------------------------------------|---|---|---|---|---|---|---|---|
| GM Police and Crime Commissioner | £ | | | | | | | |
| GM Fire and Rescue Authority | £ | | | | | | | |

5. That, having calculated the aggregate in each case of the amounts at 3(e) and 4 above, the Council, in accordance with Section 30(2) of the Local Government Finance Act 1992, hereby sets the following amounts as the amounts of Council Tax for the year [2016/17] for each of the categories of dwellings shown below.

Valuation bands

| A | B | C | D | E | F | G | H |
|---|---|---|---|---|---|---|---|
|---|---|---|---|---|---|---|---|

ANNEX B

1. CALCULATING THE COUNCIL TAX REQUIREMENT

Section 31A Calculations

- 1.1 Section 31A of the Local Government Finance 1992 requires the Council to make three calculations:-
- (i) an estimate of the Council's required gross revenue expenditure -Section 31A(2)
 - (ii) an estimate of its anticipated income (excluding that from council tax) and of reserves to be used to aid the revenue account - Section 31A(3)
 - (iii) a calculation of the difference between (i) and (ii) above, (i.e. the Council Tax requirement) - Section 31A(4)
- 1.2 In its Section 31A(2) calculation the Council is required to allow for the following:-
- Section 31A(2)(a)** - the estimated revenue account expenditure it will incur during the year in performing its functions
- Section 31A(2)(b)** - an appropriate allowance for contingencies for the year, e.g. for unforeseen occurrences such as disasters, storm damage, higher than expected inflation etc.
- Section 31A(2)(c)** - any raising of financial reserves for future expenditure - examples of this include payments into a redemption fund, internal insurance etc,
- Section 31A(2)(d)** - any revenue account deficit for a previous financial year which has not yet been provided for;
- Section 31A(2)(da)** – any amount estimated to be transferred from the general fund to the collection fund in accordance with regulations by reference to sums received by the authority in respect of business rates.
- Section 31A(2)(e)** - any amount estimated to be transferred from the General Fund to the Collection Fund in accordance with Section 97(4) of the Local Government Finance Act 1992 - i.e. the Council's share of any collection fund deficit;
- Section 31A(2)(f)** - any amounts estimated to be transferred from the General Fund to the Collection Fund by direction of the Secretary of State under Section 98(5) of the Local Government Finance Act 1988 - including an estimate of the shortfall in the collection of Non-domestic Rates in excess of the allowance
- 1.3. In its Section 31A(3) calculation the Council must calculate the aggregate of sums to be put against gross expenditure, namely:-

Section 31A(3)(a) - estimated income from fees, charges, and government grants (including RSG) plus other sums payable into the general fund (but excluding council tax)

Section 31A(3)(aa) – Any amount estimated to be transferred from the collection fund to the general fund in accordance with regulations by reference to sums received by the authority in respect of business rates.

Section 31A(3)(b) - any amount estimated to be transferred from the Collection Fund to the General Fund in accordance with Section 97(3) of the Local Government Finance Act 1988 - i.e. the Council's share of any collection fund surplus;

Section 31A(3)(c) - sums to be transferred from the Collection Fund to the General Fund pursuant to a direction of the Secretary of State under Section 98(4) of the Local Government Finance Act 1988 - including allowances for costs of collection of business rates;

Section 31A(3)(d) - the amount of financial reserves/balances which the authority intends to use towards meeting its revenue expenditure

1.4 On the basis of current estimates, the calculations would be as follows: -

| | HRA £ | Other £ | Total £ |
|---------------------|----------|------------|------------|
| Expenditure | | | |
| Section 31A (2)(a) | | | |
| Section 31A (2)(b) | | | |
| Section 31A (2)(c) | | | |
| Section 31A (2)(d) | | | |
| Section 31A (2)(da) | | | |
| Section 31A (2)(e) | | | |
| Section 31A (2)(f) | | | |
| Income | | | |
| Section 31A (3)(a) | | | |
| Section 31A (3)(aa) | | | |
| Section 31A (3)(b) | | | |
| Section 31A (3)(c) | | | |
| Section 31A (3)(d) | | | |

1.5 Council Tax Requirement under Section 31A(4) being the amount by which the aggregate under Section 31A(2) exceeds the aggregate under Section 31A(3)

is £

2. CALCULATING THE BASIC AMOUNT OF COUNCIL TAX

2.1. Section 31B of the Local Government Finance Act 1992 requires the Council to calculate the basic amount of its Council Tax - this is in effect the City Council element of the Band D Council tax.

2.2 This calculated by applying the following formula -

$$\frac{R}{T}$$

Where -

R is the Council Tax requirement, and

T is the approved Council Tax base

2.3 Calculating the Basic Amount of Council Tax

Council Tax Requirement £

Divided by:
Council Tax Base – 105,570

Band D Basic Amount of Council Tax is: £

2.4 The council tax requirement for 2016/17 is £
The aggregate amount of levies issued to the council for 2016/17 is £
The council tax base for 2016/17 is 105,570
The relevant basic amount of council tax for 2016/17 is £

APPENDIX 2 Proposed Directorate Cash Limits

| | 2015/16 Net £'000 | 2015/16 Gross £'000 | 2016/17 Net £'000 | 2016/17 Gross £'000 |
|---------------------------|-------------------------|---------------------------|-------------------------|------------------------|
| Children and Families | 261,446 | 803,043 | 248,008 | 799,185 |
| Growth and Neighbourhoods | 74,839 | 175,144 | 70,121 | 167,421 |
| Corporate Core | 47,106 | 397,775 | 44,623 | 396,342 |
| Cross Cutting | (251) | (251) | (251) | (251) |
| Total | 383,140 | 1,375,711 | 362,501 | 1,362,697 |

Further detail is contained within the Directorate Reports.

The figures in the above table do not include the waste levy of £33.962m in 2015/16 and £32.495m in 2016/17 which will be added to Growth and Neighbourhoods cash limit for the final budget.

APPENDIX 3

Prudential Indicators 2016/17 to 2018/19

Last years approved figures are shown in brackets.

| | 2016/17 | 2017/18 | 2018/19 |
|--|-------------------|-------------------|-----------|
| Ratio of Financing Costs to Net Revenue Stream | | | |
| Non – HRA | 10% (10%) | 10% (10%) | 10% |
| HRA | 3.9% (4%) | 3.9% (4%) | 3.8% |
| Incremental impact of Capital Investments on | | | |
| Council Tax (Band D, per annum) | £16.71 | £50.88 | £61.54 |
| Housing Rent per week | £0.00 | £0.00 | £0.00 |
| Capital Expenditure | £m | £m | £m |
| Non – HRA | 399.6 (80) | 256.0 (84) | 145.3 |
| HRA | 29.3 (33) | 37.0 (33) | 20.1 |
| TOTAL | 428.9 (113) | 293.0 (117) | 165.4 |
| Capital Financing Requirements (as at 31 March) | £m | £m | £m |
| Non – HRA | 1,106 (870) | 1,231 (920) | 1,299 |
| HRA | 242 (220) | 264 (220) | 273 |
| TOTAL | 1,348 (1,090) | 1,495 (1,140) | 1,572 |
| Authorised Limit for external debt - | £m | £m | £m |
| Borrowing | 1,272.5 (1,440.5) | 1,245.0 (1,478.5) | 1,245.0 |
| other long term liabilities | 216.0 (216.0) | 216.0 (216.0) | 216.0 |
| TOTAL | 1,488.5 (1,656.5) | 1,461.0 (1,694.5) | 1,461.0 |
| Operational Boundary for external debt - | £m | £m | £m |
| Borrowing | 1,018.5(1,159.0) | 1,096.2 (1,304.2) | 1,187.4 |
| other long term liabilities | 216.0 (216.0) | 216.0 (216.0) | 216.0 |
| TOTAL | 1,234.5 (1,375.0) | 1,312.2(1,502.2) | 1,403.4 |
| Actual external debt | £m | £m | £m |
| | 842.6 (974.8) | 954.9 (1,155.7) | 1,074.2 |
| Upper limit for total principal sums invested for over 364 days | 0 (0) | 0 (0) | 0 |
| Upper limit for fixed interest rate exposure | 92% (100%) | 100% (100%) | 100% |
| Net borrowing at fixed rates as a % of total net borrowing | | | |

| | 2016/17 | 2017/18 | 2018/19 |
|--|----------------|----------------|----------------|
| Upper limit for variable rate exposure Net borrowing at Variable rates as a % of total net borrowing | 90% (95%) | 95% (99%) | 100% |
| Gross Debt as a proportion of CFR | 63% | 64% | 69% |

| Maturity structure of new fixed rate borrowing during 2016/17 | Upper Limit | Lower limit |
|--|--------------------|--------------------|
| under 12 months | 70% (60%) | 0% (0%) |
| 12 months and within 24 months | 100% (100%) | 0% (0%) |
| 24 months and within 5 years | 90% (70%) | 0% (0%) |
| 5 years and within 10 years | 70% (60%) | 0% (0%) |
| 10 years and above | 70% (60%) | 0% (0%) |
| Has the Authority adopted the CIPFA Treasury Management Code? | Yes | |

APPENDIX 4 – Reserves

| | Opening Balance 01/04/16 £'000 | Withdrawals £'000 | Additions £'000 | Opening Balance 01/04/17 £'000 | PURPOSE |
|--|---|------------------------------|----------------------------|---|--|
| Schools Reserve | 31,170 | 0 | 0 | 31,170 | |
| General Fund Reserve | | | | | |
| Statutory Reserves | 9,268 | -7,122 | 6,373 | 8,518 | |
| Earmarked Reserves | 144,073 | -49,221 | 8,756 | 103,608 | |
| General Fund Reserve | 25,402 | -11 | 0 | 25,391 | |
| Total General Fund | 209,913 | -56,354 | 15,129 | 168,688 | |
| Housing Revenue Account Reserves: | | | | | |
| Housing Revenue Account General Reserve | 50,809 | -8,079 | 0 | 42,730 | |
| HRA PFI reserve | 10,000 | 0 | 0 | 10,000 | |
| HRA Residual liabilities fund | 24,000 | 0 | 0 | 24,000 | |
| Housing Insurance reserve | 627 | 0 | 0 | 627 | |
| Troubled Families | 85,435 | -8,079 | 0 | 77,356 | |
| TOTAL RESERVES | 295,348 | -64,433 | 15,129 | 246,044 | |
| SCHOOLS RESERVE | | | | | |
| LMS Reserve | 31,170 | 0 | 0 | 31,170 | School balances |
| Sub Total Schools | 31,170 | 0 | 0 | 31,170 | |
| STATUTORY RESERVES | | | | | |
| Bus Lane Enforcement Reserve | 1,952 | -1,329 | 1,114 | 1,737 | Ring fenced reserve which can only be applied to specific transport and highways related activity. |
| On Street Parking | 3,235 | -5,582 | 5,184 | 2,837 | Ring fenced reserve which can only be applied to specific transport and highways related activity. |
| Taxi Licensing Reserve | 51 | -51 | 0 | 0 | This is a smoothing reserve to equalise the |

| | Opening Balance 01/04/16 £'000 | Withdrawals £'000 | Additions £'000 | Opening Balance 01/04/17 £'000 | PURPOSE |
|---|--------------------------------------|----------------------|--------------------|--------------------------------------|---|
| Art Fund Reserve | 35 | 0 | 0 | 35 | income and expenditure of running the function over financial years. Income ringfenced by statute. For art purchases |
| New Smithfield Market | 77 | 0 | 0 | 77 | To contribute towards funding the development plans for the market |
| Great Northern Square Maint Fund | 330 | -13 | 0 | 317 | Set up in accordance with the agreement with the developers of the site. It will be used for upgrading of the square. |
| Education Endowments | 17 | 0 | 0 | 17 | Kept as part of future payments for school prizes |
| Landlord Licensing Reserve | 57 | -57 | 0 | 0 | |
| Ancoats Square Reserve | 1,843 | -78 | 0 | 1,765 | £1.95m was received from the HCA to cover the revenue costs of maintaining Ancoats Square for a period of at least 25 years, the required funds will be drawn down each year at c£78k per year. |
| Cutting Room Square Ext Ancoats Reserve | 1,038 | -12 | 0 | 1,026 | Funds received as part of a Section 106 agreement to cover the revenue costs of maintaining Cutting Room Square, the required funds will be drawn down each year. |
| St Johns Gdns Contingency | 631 | 0 | 75 | 706 | Contribution from St Johns Gardens tenants for maintenance works |
| Sub Total Statutory | 9,268 | -7,122 | 6,373 | 8,518 | |
| EARMARKED RESERVES | | | | | |
| BALANCES HELD FOR PFI'S | | | | | |
| Street Lighting PFI | 441 | -441 | 0 | 0 | Established to fund the requirements over 25 years re. the PFI contract for Street Lighting service via our external contractors |
| Temple PFI | 635 | 0 | 8 | 643 | PFI Scheme 25 years contract Drawdown will be in future years as expenditure exceeds grant. |
| Wright Robinson PFI Reserve | 727 | 0 | 32 | 759 | PFI Scheme 25 years contract Drawdown will be |

| | Opening Balance 01/04/16 £'000 | Withdrawals £'000 | Additions £'000 | Opening Balance 01/04/17 £'000 | PURPOSE |
|--|--------------------------------------|----------------------|--------------------|--------------------------------------|---|
| | | | | | in future years as expenditure exceeds grant. |
| TOTAL | 1,804 | -441 | 40 | 1,402 | |
| <u>SMALL SPECIFIC RESERVES</u> | | | | | |
| Cemeteries Replacement | 281 | 0 | 40 | 321 | |
| Housing Loans | 116 | 0 | 10 | 126 | Resources available to meet future needs of mortgage accounts |
| Investment Reserve from Surpluses | 401 | 0 | 0 | 401 | Funding belonging to schools which the Council holds on their behalf. The purpose is to fund repairs and improvements to school kitchens. |
| Primary School Catering Reserve | 222 | 0 | 0 | 222 | Reserve established to support the Service's competitiveness by smoothing school meal prices during the 3 year price planning period. |
| Catering R & M Insurance Account | 75 | 0 | 0 | 75 | Reserve established to meet refurbishment cost of school kitchens. |
| CWAG Reserve | 90 | -6 | 0 | 84 | Held in relation to the running costs of Council's With ALMOs Group (CWAG) which is administered by MCC |
| NSM - Car Boot | 243 | -45 | 55 | 253 | Used to fund repairs and maintenance of facilities for traders. |
| New Islington Dowry Reserve | 244 | -50 | 0 | 194 | NWDA funding for maintenance over a 10 year period. |
| Other Small Specific reserves | 153 | 0 | 0 | 153 | Small specific reserves |
| TOTAL | 1,823 | -101 | 105 | 1,827 | |
| <u>RESERVES FOR SPECIFIC RISKS OR TO SMOOTH COSTS</u> | | | | | |
| <u>Risks</u> | | | | | |
| Cleopatra Reserve | 5,563 | 0 | 0 | 5,563 | For potential future legal cases |

| | Opening Balance 01/04/16 £'000 | Withdrawals £'000 | Additions £'000 | Opening Balance 01/04/17 £'000 | PURPOSE |
|-----------------------------------|---|------------------------------|----------------------------|---|---|
| Compensation Reserve | 93 | 0 | 0 | 93 | Money set aside to meet possible future claims for compensation |
| Airport Dividend reserve | 22,787 | -22,787 | 0 | 0 | The additional airport dividend for 2014/15 will be used to support the revenue budget in 2015/16 and 2016/17. The interim additional dividend for 2015/16 will support the 2016/17 budget. |
| Land Charges Fees Reserve | 99 | 0 | 0 | 99 | Prior years overachievement of fee income as Land Charges has a requirement to demonstrate a break even position on a rolling 3 year basis therefore exceptional surpluses are taken to reserves. |
| Insurance Fund | 18,908 | 0 | 0 | 18,908 | The insurance fund has been established to fund risks that are self insured. |
| Pension Risk Fund - MWL | 579 | 0 | 175 | 754 | This relates to potential pension liabilities for Manchester Working employees. |
| Business Rates Reserve | 7,776 | -3,084 | 0 | 4,692 | To mitigate Business Rates income risk |
| TOTAL | 55,805 | -25,871 | 175 | 30,109 | |
| SMOOTH COSTS | | | | | |
| Manchester International Festival | 1,500 | 0 | 0 | 1,500 | To fund the additional costs of the Mcr International Festival Fund, £500k every other year. |
| TOTAL | 1,500 | 0 | 0 | 1,500 | |
| FOR DIRECTORATE RISKS | | | | | |
| Children's Services Reserve | 49 | 0 | 0 | 49 | The reserve is being held for any unexpected issues arising from Academy transfers given the level of uncertainty around any costs falling to the LA within a short timescale. |
| TOTAL | 49 | 0 | 0 | 49 | |

| | Opening Balance 01/04/16 £'000 | Withdrawals £'000 | Additions £'000 | Opening Balance 01/04/17 £'000 | PURPOSE |
|---|---|------------------------------|----------------------------|---|---|
| RESERVES HELD TO FUND PLANNED CAPITAL SPEND | | | | | |
| Eastlands Reserve | 4,603 | -2,436 | 1,676 | 3,843 | English Institute of Sport - Sport England MCFC income |
| Capital Fund Revenue Reserve | 24,945 | 0 | 6,760 | 31,705 | Contribution to schemes which are being brought forward to support employment and growth as part of the Council's Capital Programme. Used to fund high priority strategic development opportunities in the city for those that do not attract external funding. |
| Housing Regeneration reserve | 15,000 | 0 | 0 | 15,000 | To deliver strategic housing related regeneration projects. |
| Service Improvement Fund | 211 | -118 | 0 | 93 | £93k relates to C&D schemes to be spent in 14/15 Balance is CRM/Sap Upgrade, also assumed spent in 14/15 |
| TOTAL | 44,758 | -2,554 | 8,436 | 50,640 | |
| RESERVES TO SUPPORT GROWTH AND REFORM | | | | | |
| Clean City | 6,911 | -6,911 | 0 | 0 | To support green initiatives |
| Adult Social Care | 2,000 | 0 | 0 | 2,000 | For risks within Adult Social Care |
| Troubled Families Reserve (Manchester Investment Fund) | 1,675 | -128 | 0 | 1,547 | This was set up to support the scaling up on the community budgets work |
| Children and Families Investment Reserve | 7,447 | -7,447 | 0 | 0 | To invest in priorities within Children and Families |
| Soccerex Reserve (Was LABGI) | 790 | -395 | 0 | 395 | Soccerex worldwide. To fund £395,000 per year for 2014/15 to 2017/18. |
| TOTAL | 18,823 | -14,881 | 0 | 3,942 | |

| | Opening Balance 01/04/16 £'000 | Withdrawals £'000 | Additions £'000 | Opening Balance 01/04/17 £'000 | PURPOSE |
|---|--------------------------------------|----------------------|--------------------|--------------------------------------|---|
| GRANTS USED OVER ONE YEAR - NOW HAVE TO BE SHOWN AS A RESERVE DUE TO CHANGE IN ACCOUNTANCY RULES | | | | | |
| Grants given for over one year for Capital Spend | | | | | |
| English Partnership (HCA) | 2,034 | 0 | 0 | 2,034 | HCA approval required to Fund Development appraisal and Eastlands Project team |
| Other Grants and Contributions | 2,367 | 0 | 0 | 2,367 | Various local Environment scheme & initiatives i.e. 'clean up campaigns' |
| Other Grants and Contributions Regeneration | 498 | 0 | 0 | 498 | Unspent grant received in previous year |
| TOTAL | 4,899 | 0 | 0 | 4,899 | |
| Grants with agreed spend profile over one year | | | | | |
| Contributions Other Local Authorities | 10 | 0 | 0 | 10 | Relates to Funding for the 'Victim Support & Young Offenders' ongoing schemes and various ongoing Civil Contingencies schemes. |
| Transformation Challenge Award | 601 | -601 | 0 | 0 | Transformation challenge award was awarded to GM authorities to support reform. Manchester's share was £757,904 and has been allocated to projects to be spent across 2015/16 and 2016/17 |
| DEFRA | 60 | -54 | 0 | 6 | Reservoir Inundation Fund . Relates to funding the Emergency Planning Works in the event of flooding. Expected to be spent by 2016/17 |
| NW Construction Hub Reserve | 280 | 0 | 0 | 280 | The capital programme section manages the NWCH, other LA's pay a fee to use the service and the income is used to cover the cost of retendering every three years. |
| SEN Reform | 444 | -444 | 0 | 0 | Grant to help local authorities in England continue to meet the costs of implementing the special educational needs and disabilities |

| | Opening Balance 01/04/16 £'000 | Withdrawals £'000 | Additions £'000 | Opening Balance 01/04/17 £'000 | PURPOSE |
|-------------------------------------|---|------------------------------|----------------------------|---|---|
| CLG Fraud Fund | 57 | 0 | 0 | 57 | (SEND) reforms |
| Better Care | 4,273 | -4,273 | 0 | 0 | Unspent grant received in previous year |
| Asylum Seekers | 10 | 0 | 0 | 10 | Contributions received from CCG's MCC are holding the monies on behalf of AGMA Councils, this money will not be drawn down in year but needs to be retained on the Balance sheet to ensure that MCC are not in breach of the contract that we hold as Lead Authority on this project. |
| TOTAL | 5,736 | -5,372 | 0 | 364 | |
| TOTAL EARMARKED RESERVES | 144,073 | -49,221 | 8,756 | 103,608 | |
| Total General Fund Reserves | 178,743 | -56,354 | 15,129 | 137,518 | |